

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail Contract 89 (MC2014-39)
Negotiated Service Agreement

Docket No. CP2014-72

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL CONTRACT 89 NEGOTIATED SERVICE AGREEMENT

(Issued September 23, 2014)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

In Order No. 2175, the Commission approved the Priority Mail Contract 89 negotiated service agreement (Existing Agreement) and directed the Postal Service to file the amendment to correct a typographical error, as described in the Postal Service's

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 89, with Portions Filed Under Seal, September 12, 2014 (Notice). The Amendment is an attachment to the Notice (Amendment).

response to Order No. 2161, by September 12, 2014.² On September 12, 2014, the Postal Service filed notice that it has agreed to an Amendment to the Existing Agreement. On September 15, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Existing Agreement, as amended, to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service claims the supporting financial documentation and a certified statement initially provided in this docket, as required by 39 C.F.R. § 3015.5, remain applicable. *Id.* The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. *See Id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment and the Existing Agreement. *Id.* at 2. Based on that review, she recommends approval of the Existing Agreement, as amended. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant

² See Docket Nos. MC2014-39 and CP2014-72, Order Adding Priority Mail Contract 89 to Competitive Product List, August 29, 2014 (Order No. 2175).

³ Order No. 2184, Notice and Order Concerning Amendment to Priority Mail Contract 89 Negotiated Service Agreement, September 15, 2014.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 89, September 19, 2014 (PR Comments).

products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment corrects a typographical error and does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective one business day after the date that the Commission completes its review. The Existing Agreement, as amended, is set to expire 3 years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.⁵

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the Existing Agreement, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the amended agreement.

In conclusion, the Commission approves the Existing Agreement, as amended.

⁵ Order No. 2175 at 6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 89 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

By the Commission.

Shoshana M. Grove
Secretary